

San Francisco, California, May
No. 21,312

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MARCH 1 1968

IN THE

**United States Court of Appeals
For the Ninth Circuit**

MAIER BREWING COMPANY, a corporation, and
RALPHS GROCERY COMPANY, a corporation,
Appellants,

vs.

THE FLEISCHMANN DISTILLING CORPORATION, a
corporation, and JAMES BUCHANAN & Com-
PANY LIMITED,
Appellees.

**APPELLANTS' PETITION FOR A REHEARING
AND REQUEST FOR A HEARING IN BANC**

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INTRODUCTION AND REFERENCES

Appellants are in receipt of the proposed opinion of the Court in this cause and respectfully petition for a rehearing and for a hearing *in banc* upon the rehearing herein sought. References herein are as set forth in appellants' briefs, to appellees' brief as RB, and, to the proposed opinion, as paginated in the official advance opinion. Unless otherwise indicated, emphasis, insertions and omissions in quotations herein are supplied by counsel.

THE PROPOSED OPINION DISREGARDS ADJUDICATED AND ADMITTED FACTS AND UNCONTRADICTED, CREDIBLE EVIDENCE.

The proposed opinion (pp. 4-5 and 7-9) disregards the fact the District Court had made and there remained on file findings favorable to appellant-defendants upon every factual issue essential to a monetary recovery by either of plaintiff-appellees herein, in favor of appellant-defendants and against plaintiff-appellees and these issues have never been re-tried in any manner or in any respect. These adjudicated facts are set forth in volume I, pages 1-196, in proceeding 17698 and the present record and relevant excerpts from that and the instant records are set forth in the appendix hereto, Parts I-II, for convenience.

Since the subsisting findings were not set aside (by the Court in 314 F.2d 159, or by the District Court, appendix Part III), no trial of the remanded issue of "plaintiffs' right to an accounting" was ever had or attempted and appellants' objections to proceeding without a trial of such issue were timely and properly reserved, it is apparent that the proposed opinion considers a moot, i.e., premature, case in which no trial of the essential, remanded issue was ever had.

It has been expressly conceded, at all times, that appellees suffered no damages, nor any economic or monetary

injury, by any infringement of appellee Buchanan's mark, and, presumably, the District Court would follow

Highway Cruisers of California, Inc. v. Security Industries, Inc., 374 F.2d 875, 876,

to award nominal damages, and to thereafter examine such evidence as should be advanced by the parties to inform its discretion and support its finding and judgment whether "plaintiff[s'] loss . . . if any, would be fairly measured by defendant[s'] profits [or] be revealed by an accounting".

Assuming that the remanded issue of "plaintiffs' right to an accounting" could be considered as having been tried in some atypical and undisclosed manner, the proposed opinion (pages 8 and 10) disregards appellants' evidence of costs of manufacturing and selling the beer in suit, in accepting the unsupported and clearly erroneous finding of the District Court in, in turn, accepting appellees' impermissible¹ "add-backs" of admitted costs of each of appellants lawfully chargeable to their claimed "net profits" (see appendix Part IV and citation and quotation of record at pages 19-23 and 59-63 of appellants' opening brief and pages 31-33 of their closing brief).

It should be recalled that appellees' counsel, in oral agreement and in response to a direct question of the Court, expressly conceded that the "add-backs" of appellees' accountants were "legitimate expenses of conducting business" of appellants.

Since such unsupported "add-backs" aggregate \$2,254,669 and clearly *reduce* appellants' assumed "net profits" to the total aggregate of only \$13,853.27, this judgment for the recovery of the sum of \$63,761 should not be affirmed, in any event.

¹Such "add-backs" are "not . . . in accordance with correct accounting principles" (*Efron v. Kalmanovitz*, 249 A.C.A. 209, 219, 57 Cal. Rptr. 248, March 6, 1967).

**THE PROPOSED OPINION WOULD ADOPT A NOVEL DOCTRINE,
AS APPLIED TO THE UNDISPUTED RECORD, IN CONFLICT
WITH PRIOR RULINGS OF THE COURT AND CONTRARY TO
THE ACT OF THE CONGRESS.**

As candidly noted in the proposed opinion (pages 5-10), the proposed decision is to be bottomed upon the ruling and dicta in *Monsanto Chemical Co. v. Perfect Fit Products Manufacturing Co.*, 349 F.2d 389—which had no influence upon the “accounting” hearing herein² and was only advanced at submission below, *after* the ruling of the Court upon the issues of attorneys’ fees (359 F.2d 156, subsequently affirmed in 386 U.S. 714)—considered as a “trend” of decision in support of the ruling that establishment of a case for an injunction to prevent “likelihood of confusion” in the future *automatically* establishes “plaintiffs’ right to an accounting” in *every* case.

The *Monsanto* factual situation (as forthrightly noted in the specially concurring and dissenting opinion (349 F. 2d 389, 397-398)) would support a recovery of damages in any court in any jurisdiction in this country (compare *Dairy Queen, Inc. v. Wood*, 369 U.S. 469). Herein, it is expressly conceded that appellees suffered no damages, nor any economic injury save “out of pocket expenses in prosecuting this action” already adjudicated against them (386 U.S. 714).

Further, the *Monsanto* court (349 F.2d 389 at 392-393) notes only precedent (or dicta) in the Third and Tenth, and by its ruling, the Second circuits, in support of its decision. This record is too thin to justify acceptance of

²Although “tried” months earlier, *Monsanto* was decided, hence cited, only at the time of submission and while the issue of recovery of attorneys’ fees was in suspense. The almost identical amounts of the vacated award of attorneys’ fees and upon the instant “accounting” should not escape notice and it should be further noted that the *Monsanto* court (349 F.2d 389, 396, footnote 10) consciously based its ruling on “out of pocket expenses in prosecuting this action—which, herein, are excluded from consideration as a matter of res judicata (386 U.S. 714).

a minority rule, or application of a one-case trend, if trend it be. The *Monsanto* facts were compulsive—whereas, herein, a recovery by these appellees would be a wind-fall, at the minimum, and, on this record, purely punitive.

Moreover, the proposed opinion does not announce a rule of law, but would declare that an unguided, unqualified and unrestrained ruling of the trial court is not reviewable by any declared standard or measure whatever. It is only law school doggerel that “the rule in equity is the length of the chancellor’s foot”. *Highway Cruisers* (supra, 374 F.2d 875, proposed opinion, pages 4, 9) concerned only elements more favorable to the trademark plaintiff than this record and the fact that that trial court held an accounting insupportable, whereas this trial court held contra—in the absence of any positive, or supporting element whatever. It is respectfully submitted that the proposed ruling and the ruling in *Highway Cruisers* cannot be reconciled, hence both cannot be considered as stating the rule of decision of this circuit. Irreconcilable trial court rulings should not be open to affirmance and some standard for guidance in future rulings of the District Courts of the Circuit should be announced in the public interest.

Since it is not suggested that appellees have suffered any compensable injuries from any conduct of either of appellants, the wind-fall to appellees forecast by the instant judgment is exclusively punitive (proposed opinion, pages 8-10)—hence clearly violative of the statutory command that the *recovery* of “defendant’s profits . . . shall constitute compensation and not a penalty” (15 U.S.C. 1117, emphasis in concluding sentence).

Compare

Leh v. General Petroleum Corp., 330 F.2d 288
(reversed as to another point in 382 U.S. 54).

The latter limitation of the Congress upon such recoveries should be accepted as binding in a purely statutory proceeding (386 U.S. 717).

IN VIEW OF THE DECLINATION OF THE PROPOSED OPINION AND DECISION TO FOLLOW CLEAR, UNIFORM, WELL CONSIDERED AND CONTEMPORANEOUS RULINGS OF THE COURT, A HEARING IN BANC, UPON REHEARING, SHOULD BE GRANTED HEREIN.

Appellants respectfully submit that the proposed opinion announces a position in advance of any decision or comment in any case cited therein, or cited elsewhere, and is irreconcilable with the rulings of the Court in indistinguishable decisions reported for the Circuit, most recently in

Highway Cruisers of California, Inc. v. Security Industries, Inc. (supra, 374 F.2d 875, 876);
Plough, Inc. v. Kreis Laboratories, 314 F.2d 635, 639-641;
Sleeper Lounge Co. v. Bell Manufacturing Co., 253 F.2d 720, 723-724;

and cases cited.

Appellants further so submit that, if the precedents last above cited are proposed to be over-ruled (pages 4-9) and to be over-ruled in disregard of statute, the cause deserves the consideration of the Court *in banc* in order that the District Courts of the Circuit shall have been afforded an authoritative ruling in trademark cases to arise in the future—as well as insuring a final ruling upon the issues of this cause as among these litigants.

Dated, San Francisco, California,
March 18, 1968.

Respectfully submitted,
J. ALBERT HUTCHINSON,
*Attorney for Appellants
and Petitioners.*

CERTIFICATE OF COUNSEL

I hereby certify that I have read the foregoing Petition for Rehearing and that said Petition in my judgment is well founded and not interposed for the purpose of delay.

J. ALBERT HUTCHINSON,
*Attorney for Appellants
and Petitioners.*

(Appendix Follows)

Appendix

Appendix

PART I:

**THE TRIAL COURT FINDINGS REMAINING IN EFFECT UPON
REMAND IN FIRST APPEAL (314 F.2d 149) ARE, IN RELE-
VANT PART AS FOLLOWS:**

“Findings of Fact

* * *

“3. Defendant, Maier Brewing Company, is a corporation duly organized and existing under the laws of the State of California, is a citizen and resident thereof, and is hereinafter referred to as ‘Maier.’

“4. Defendant, Ralphs Grocery Company, is a corporation duly organized and existing under the laws of the State of California, is a citizen and resident thereof, and is hereinafter referred to as ‘Ralphs.’

* * *

“11. Defendant Maier brews and sells beer, including ‘private brands’ which are offered under numerous names to supermarkets and other customers. In June, 1956, Maier commenced the use of the name ‘Black & White’ on canned beer which was and is retailed by defendant Ralphs in Los Angeles. During the past several years Ralphs has built up a limited but valuable market for ‘Black & White’ beer in its thirty-two stores in the Los Angeles area.

“12. The name ‘Black & White’ had previously been used as a trademark for bottled beer by the St. Claire Brewing Co. of San Jose, California, from 1935 until 1938 when that brewery ceased business. Maier learned of such use and abandonment through its salesman, Mr. Mosiman, who had been a salesman for St. Claire Brewing Co. and had sold ‘Black & White’ beer for St. Claire Brewing Co. before going to work for Maier.

“13. The St. Claire Brewing Co. had registered the mark ‘Black & White’ for use on beer with the Secretary of State of California.

“14. In the fall of 1936, National Distillers, which was then the exclusive United States importer of Buchanan’s Scotch whisky, had knowledge of the use of the name ‘Black & White’ by the St. Claire Brewing Co. for the latter’s beer and protested such use by writing one letter to St. Claire, but neither National Distillers nor Buchanan took any further action or legal action to enjoin the same.

“15. Defendant Maier, who know of plaintiffs’ ‘Black & White’ Scotch whisky, adopted the name ‘Black & White’ for its beer because of the belief that the two products were so distinct that there would be no likelihood of confusion between the products or confusion as to the source of the products.

“16. Maier adopted the ‘Black & White’ label for beer in good faith, and in fact sought to acquire title to the name ‘Black & White’ for use on beer from the St. Claire Brewing Co. St. Claire consented to such use, but there was no privity between St. Claire and Maier. There was no intent or attempt by defendants to trade on the good will of plaintiffs.

“17. The labels of defendant Maier bearing the name ‘Black & White’ bear absolutely no resemblance to plaintiffs’ labels and clearly indicate that defendants’ beer is manufactured by Maier.

* * *

“23. There is no evidence of confusion . . . nor any belief among the public that ‘Black & White’ beer is the product of plaintiffs or connected, in any way, with plaintiffs.

“24. Plaintiffs have not been damaged by defendants, nor are they likely to be in the future, nor has their good will in their Scotch whisky been damaged or diminished.

“25. Defendants have not suggested or inferred in any fashion, nor have they made any effort to suggest that ‘Black & White’ beer is the product of plaintiffs, nor have they been guilty of practicing any deception in any manner whatsoever.

“26. The labels and containers used by defendants are so distinct and different from those used by plaintiffs that they would not tend to deceive or confuse an ordinary buyer as to the product or the source thereof.

“27. Plaintiffs’ own witness, in testifying as to the scope of the trademark ‘Black & White’ and the use of the Scottie dogs, conceded that defendants’ label was distinct and very candidly admitted that there was no evidence of confusion, nor loss of sales of plaintiffs’ Scotch whisky.

“28. There is no real competition between plaintiffs’ Scotch whisky and defendants’ beer . . .”

(Volume I, pp. 1-196, Transcript of Record, No. 17696 at pages 64, 66, 67, 69, 70.)

PART II:

THE RULING AND REMAND OF THE COURT (314 F.2d 149, 161-162) PROVIDED AS FOLLOWS:

“We hold therefore that the court below was in error in denying the injunction prayed for.

“The judgment is reversed and the cause is remanded to the district court with directions to enter judgment in accordance with this opinion. *The question of plaintiffs’ right to an accounting, not having been dealt with on the previous trial, remains for decision by the district court.*”

PART III:

THE PROCEEDINGS UPON REMAND OF THE
ACCOUNTING ISSUES.

A. On January 21, 1964, without taking evidence and without stipulation and over objection of appellants the District Court made its order reading in relevant part:

“10. An accounting of defendants' profits shall be had with all convenient speed. In connection with said accounting, defendants are ordered to allow plaintiffs and their representatives to inspect and make copies of any and all records, books of account, invoices, income tax returns and document and books showing defendants' respective sales and profits.”

(Volume I, Transcript of Record,
page 2.)

B. In the hearing responsive to the foregoing order appellants again objected to the absence of trial of the issues of plaintiffs' right to an accounting and their objection was expressly reserved, in relevant part:

“Mr. Hutchinson: I think that we are not in agreement with Mr. Hanger that he has carried his burden of proof. That is why I would like to have all objections reserved . . .

* * *

“. . . And as I read the record, *they have removed the contention that they were damaged in their economic interest.* Protection of the [mark] from [dilution] is one thing, but *to take money as damages, or accounting, if that is not two ways of saying the same thing, requires showing that they had some financial loss . . .*

“The Court: The testimony at the trial from the representative, plaintiffs' representative, was categorically that there was no confusion.

“Mr. Hutchinson: No actual confusion.

“The Court: And that was stated on cross-examination

• • •

You reserve your right and I will consider the issue as a legal issue at the termination of the accounting.

“Mr. Hutchinson: Yes, I hope we could reserve our objections without taking undue time. Otherwise, we would waive [them] by going forward.”

(Volume II, Transcript of Record,
pages 7-12.)

PART IV:

APPELLANTS' ACCOUNTANTS AND THE DISTRICT COURT EXCLUDED ADMITTED AND LAWFUL BUSINESS EXPENSES RECOGNIZED BY BUSINESS, ACCOUNTING PRACTICES AND LAW:

Appellees' accountant's unsupported “add backs” included the following:

1. Maier		
a. Advertising		\$ 647,990
b. Abandonment losses on breweries purchased for brewing purposes		1,589,419
	Total	\$2,236,409
2. Ralphs:		
a. Advertising		15,106
b. Packaging and wrapping		3,154
	Total	18,260

